

## Message Text

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ORIGIN ARA-14

INFO OCT-01 EUR-12 EA-10 ISO-00 SIG-03 SS-15 NSCE-00  
EB-08 SP-02 INRE-00 SSO-00 CIAE-00 INR-10 NSAE-00  
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APPROVED BY ARA:JABUSHNELL  
ARA/AND:WCSERGEANT  
LAC/ARA:WBWHEELER  
SS-S: JHALL  
AA/LAC:ALVALDEZ  
NSC:RPASTOR  
B:RJONES

-----119786 260047Z /15

O R 260007Z MAY 78  
FM SECSTATE WASHDC  
TO AMEMBASSY CARACAS IMMEDIATE  
INFO AMEMBASSY TOKYO  
AMEMBASSY BONN  
AMEMBASSY OTTAWA  
AMEMBASSY BERN  
AMEMBASSY OSLO  
AMEMBASSY THE HAGUE  
AMEMBASSY LONDON  
AMEMBASSY PORT OF SPAIN  
AMEMBASSY MADRID

C O N F I D E N T I A L STATE 134108

E.O. 11652: GDS

TAGS:ECIN, EAID, VE

SUBJECT:CARIBBEAN DEVELOPMENT - LETTER FROM PRESIDENT  
CARTER TO PRESIDENT PEREZ.

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REF: (A) CARACAS 3897, (B) CARACAS 3953, (C) PARIS 15743,  
(D) PARIS 16280

1. PRESIDENT CARTER SIGNED ON MAY 17 FOLLOWING RESPONSE  
TO PRESIDENT PEREZ'S LETTER ON CARIBBEAN DEVELOPMENT TRANS-  
MITTED TO DEPARTMENT IN REF. B:

BEGIN TEXT:

DEAR MR. PRESIDENT:

BOTH OF US HOPE THAT A COOPERATIVE APPROACH WILL SPEED DEVELOPMENT IN THE CARIBBEAN; BOTH OF US KNOW THAT THE SUPPORT OF OUR TWO COUNTRIES IS ESSENTIAL IF THIS APPROACH IS TO SUCCEED. THAT IS WHY I WAS PLEASED AND ENCOURAGED TO FIND IN YOUR LETTER OF APRIL 28 THAT OUR VIEWS ARE SIMILAR ON MOST BASIC POINTS REGARDING THE FUTURE OF THE CARIBBEAN GROUP. I ASSURE YOU THAT MY ADMINISTRATION IS COMMITTED TO ITS SUCCESS, AND WE INTEND TO PROVIDE STRONG SUPPORT TO CARIBBEAN DEVELOPMENT AND THE CARIBBEAN GROUP WITHIN OUR BUDGETARY CONSTRAINTS.

AMBASSADOR VAKY HAS ALREADY HAD DETAILED DISCUSSIONS WITH MINISTER HURTADO ON THE FULL SCOPE OF ISSUES CONNECTED WITH THE CARIBBEAN GROUP. HOWEVER, I WAS PARTICULARLY GLAD TO LEARN FROM YOUR LETTER THAT WE BOTH BELIEVE THAT THE NATIONS OF THE REGION SHOULD LEAD THE WAY IN DESIGNING THE REGION'S ECONOMIC DEVELOPMENT PROGRAMS, AND THAT WE SHOULD ENCOURAGE THEM TO ADOPT A REGIONAL APPROACH TO THEIR ECONOMIC PROBLEMS WHENEVER POSSIBLE. TRUE ECONOMIC INTEGRATION IN THE CARIBBEAN STILL LIES SOME DISTANCE IN THE FUTURE, BUT WE SHOULD SEIZE EVERY OPPORTUNITY TO STRENGTHEN EXISTING REGIONAL INSTITUTIONS SUCH AS THE

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CARIBBEAN DEVELOPMENT BANK AND CARICOM, AND TO BROADEN THEIR MANDATES AND ACTIVITIES. WE ARE PARTICULARLY CONCERNED THAT THE CARIBBEAN DEVELOPMENT BANK, AS THE ONLY INTERNATIONAL FINANCIAL INSTITUTION FOCUSED EXCLUSIVELY ON THE CARIBBEAN, HAS THUS FAR NOT FOUND WAYS TO RELATE TO THE NON-ENGLISH-SPEAKING COUNTRIES OF THE REGION. I HOPE THAT WE CAN WORK TOGETHER TO FACILITATE BROADER COOPERATION AMONG ALL THE COUNTRIES OF THE REGION.

WE HAVE ALSO BEEN EXAMINING THE WORLD BANK'S PROPOSAL FOR A SPECIAL FACILITY TO HELP GOVERNMENTS CONTINUE IMPORTANT DEVELOPMENT PROJECTS WHILE THEIR COUNTRIES ARE PASSING THROUGH THIS DIFFICULT PERIOD OF ADJUSTMENT. WE ARE PREPARED TO MAKE A SUBSTANTIAL CONTRIBUTION TO THIS FACILITY, PROVIDED THAT OTHER DONORS DO THE SAME, AND THAT RECIPIENT COUNTRIES TAKE ADEQUATE ACTION TO ADDRESS THEIR ECONOMIC PROBLEMS AND DEVELOPMENT REQUIREMENTS.

IT WAS A GREAT PERSONAL PLEASURE TO MEET WITH YOU DURING MY ALL TOO BRIEF VISIT TO CARACAS IN MARCH, AND I LOOK FORWARD TO THE CHANCE OF SEEING YOU AGAIN IN PANAMA.

SINCERELY,  
JIMMY CARTER

END TEXT.

2. ORIGINAL OF LETTER BEING POUCHED TO AMBASSADOR.

3. AMBASSADOR SHOULD DELIVER LETTER TO PEREZ WITH COPY  
TO HECTOR HURTADO, MAKING FOLLOWING POINTS, AS APPROPRIATE:

A) LETTER WAS SIGNED BEFORE PRESIDENT CARTER HAD RECEIVED  
A REPORT OF MAY 16 CARIBBEAN GROUP DONORS MEETING IN PARIS.

(B) AT DONORS MEETING IN PARIS, U.S. REPRESENTATIVE SAID  
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WE WOULD BE WILLING TO CONSIDER PROVIDING AN INITIAL  
CONTRIBUTION TO WORLD BANK SPECIAL FACILITY BY A  
COMBINATION OF LOAN AND COMMODITIES ASSISTANCE, IN AN  
AMOUNT APPROXIMATELY 30 PERCENT OF THE AGREED UPON  
FINANCING REQUIREMENTS FOR SUCH A FACILITY PROVIDED THAT:

(1) OTHER DONORS ARE PREPARED AT THE SAME TIME TO MEET  
THE REMAINING REQUIREMENTS OF THE FACILITY, AND

(2) THE RECIPIENTS ARE PREPARED TO COMMIT THEMSELVES TO  
THE ECONOMIC POLICY AND DEVELOPMENT PROGRAM ACTIONS  
ENDORSED BY THE RESPECTIVE COUNTRY SUBGROUPS.

IF THESE CONDITIONS PREVAIL, WE WOULD EXPECT TO PROVIDE  
ON THE ORDER OF 20 MILLION DOLLARS IN A DEVELOPMENT  
ASSISTANCE LOAN, SUBJECT TO APPROPRIATE NOTIFICATION TO  
AND APPROVAL BY OUR CONGRESS, AND UP TO 17.5 MILLION  
DOLLARS IN ADDITIONAL COMMODITY ASSISTANCE.

(C) THE WORLD BANK FACILITY AND BALANCE-OF-PAYMENTS  
ASSISTANCE BEING SOUGHT BY THE U.K. FOR JAMAICA SHOULD BE  
REGARDED AS SERVING SAME PURPOSE. (SEE PARA. 5, PARIS  
15743). THIS IS PARTICULARLY IMPORTANT IN VIEW OF PEREZ'S  
FORTHCOMING TRIP TO JAMAICA.

(D) IN THEIR LETTERS PRESIDENT PEREZ AND PRESIDENT CARTER  
ATTACH CONSIDERABLE IMPORTANCE TO THE WORLD BANK FACILITY.

(E) VENEZUELA INDICATED AT THE PARIS MEETING IT HAD  
CONTRIBUTED CONSIDERABLE BALANCE-OF-PAYMENTS ASSISTANCE  
TO CARIBBEAN COUNTRIES OVER THE PAST SEVERAL YEARS  
(CARACAS 3897 MENTIONS 70 MILLION DOLLARS TO JAMAICA).

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(F) WE WERE DISAPPOINTED THAT VENEZUELA DID NOT ANNOUNCE SUBSTANTIAL CONTRIBUTION TO THE WORLD BANK CARIBBEAN FACILITY IN PARIS AS WE EXPECTED SUCH AN ANNOUNCEMENT BASED ON PEREZ-CARTER LETTER. BECAUSE OF PERHAPS SIMILAR RESERVE ON PART U.K. AND CANADA, ENTIRE EFFORT TO ADDRESS SPECIAL ASSISTANCE REQUIREMENTS OF CARIBBEAN WAS IN DIRE DANGER OF COLLAPSING. WE CAN EXPAND OUR SUPPORT ONLY IF OTHER DONORS INCREASE THEIR SUPPORT.

(G) WE HOPE A SUBSTANTIAL PART OF FUTURE VENEZUELAN CARIBBEAN CONTRIBUTIONS CAN BE PROVIDED THROUGH THE WORLD BANK FACILITY. THIS FACILITY WILL BE EMPLOYED TO MAINTAIN ACCEPTABLE LEVELS OF DEVELOPMENT EXPENDITURES WHILE PERMITTING RECIPIENTS WITH BALANCE-OF-PAYMENTS PROBLEMS TO EXECUTE PRUDENT ECONOMIC POLICIES DIRECTED TOWARD ACHIEVING SUSTAINED FINANCIAL STABILITY.

(H) AS OUR CONTRIBUTION IS ONLY A SHARE OF TOTAL, A VENEZUELAN CONTRIBUTION NOT ONLY HELPS DIRECTLY BUT ALSO HELPS ASSURE GREATER U.S. CONTRIBUTION.

(I)  
AS MAJOR NATION AND OIL EXPORTER  
ON CARIBBEAN LITTORAL WHOSE PRESIDENT HAS TAKEN PERSONAL INTEREST IN CARIBBEAN, WE CONSIDER STRONG VENEZUELAN PARTICIPATION IN THE WORLD BANK FACILITY IS CRITICAL TO ITS SUCCESS AND TO ENTIRE COOPERATIVE EFFORT OF CARIBBEAN GROUP. WE BELIEVE OTHER DONORS AS WELL AS RECIPIENTS SHARE THIS VIEW AND THE EXTENT OF VENEZUELAN SUPPORT OF FACILITY AND GROUP WILL SIGNIFICANTLY INFLUENCE THAT OF OTHER DONOR NATIONS.

(J) AN INDICATION BEFORE JUNE 1 (FYI: JUNE 1 DONOR MEETING HAS NOW SLIPPED TO JUNE 2; UK IS ORGANIZING MEETING ON AID TO JAMAICA ON JUNE 1. END FYI) OF VENEZUELAN PLANS TO MAKE A SIZEABLE PLEDGE ON JUNE 2 TO THE WORLD  
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BANK FACILITY WOULD BE HELPFUL. OTHER PROSPECTIVE DONORS HAVE INDICATED THAT THEIR SUPPORT FOR THE FACILITY WILL DEPEND ON THE SUPPORT OF OTHERS. WE WILL BE CONSULTING WITH THESE POTENTIAL DONORS (JAPAN, FRG, ETC.) AND IT WOULD BE HELPFUL TO BE ABLE TO TELL THEM THAT VENEZUELA HAD DECIDED UPON A SUBSTANTIAL CONTRIBUTION.

4. DEPARTMENT LEARNED AFTER FOREGOING WAS DRAFTED THAT HURTADO IS IN MADRID ON BUSINESS CONNECTED WITH IDB. WORLD BANK (GONZALES-COFINO) SUGGESTS MATTER BE RAISED WITH CARMELO LAURA, MINISTER IN SECRETARY OF PRESIDENCY, IN HURTADO'S ABSENCE. DOES EMBASSY BELIEVE THIS IS RIGHT PROCEDURE? SHOULD WE ALSO ASK TREASURY TO CONTACT HURTADO THROUGH OUR REPRESENTATIVES TO IDB MEETING IN MADRID? CHRISTOPHER

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## Message Attributes

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